

**REDEVELOPMENT AGENCY
OF THE CITY OF SAN JACINTO**
(A Component Unit of the City of San Jacinto)

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**REDEVELOPMENT AGENCY
OF THE CITY OF SAN JACINTO
ANNUAL FINANCIAL REPORT**

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INDEPENDENT AUDITORS' REPORT

Governing Board
San Jacinto Redevelopment Agency
San Jacinto, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of San Jacinto (the Agency), a component unit of the City of San Jacinto, as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These component unit financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Redevelopment Agency of the City of San Jacinto as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2010 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9, and 33, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

Vawter, Tami, Day, Co., LLP

Rancho Cucamonga, California
December 21, 2010

REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

This is management's discussion and analysis of the financial performance of the Redevelopment Agency of the City of San Jacinto (the Agency) for the fiscal year ended June 30, 2010. Please read this in conjunction with the Agency's financial statements, which follow this discussion.

PURPOSE OF THE AGENCY

The Agency was formed to eliminate urban blight in the City of San Jacinto. The Agency is a component unit of the City and shares governing boards and staff members. The Agency cannot assess property taxes but receives incremental increases in property taxes over base year amounts set at the time the property areas were transferred to the Agency. One-fifth of this tax increment must be used for low and moderate-income housing assistance. The Agency shares a portion of the tax increment with other government entities under pass-through agreements. The Agency has limited powers to condemn property.

FINANCIAL HIGHLIGHTS

- On the economic resources measurement (government-wide) focus the Agency's total net assets were in surplus position of \$2,286,152 and on the current financial resources measurement (fund financial statements) focus the Agency's fund balances were in surplus position of \$8,392,461 at the end of the year. The \$6,106,309 difference on the government-wide basis derives from the fact that the Agency produces no capital assets yet reduces net assets for current and future indebtedness under bond agreements whereas under the fund financial statements basis proceeds from debt offerings are considered other financing sources and are included as available for spending in fund balances.
- On the economic resources measurement (government-wide) focus the Agency reported expenses in excess of revenues of \$2,083,882 and on the current financial resources measurement (fund financial statement) focus reported expenditures in excess of revenues and other financing sources and uses of \$2,504,512 for the year. The difference derives from the fact that payments to retire bond indebtedness reduce liabilities on the full accrual basis; whereas payments to retire bond indebtedness are considered expenditures and decrease fund balances under the modified accrual basis. In addition, the issuance of new debt increases liabilities on the government wide basis whereas the issuance of new debt is considered an other financing source and increases fund balances under the fund financial statement basis.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this portion), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Agency.

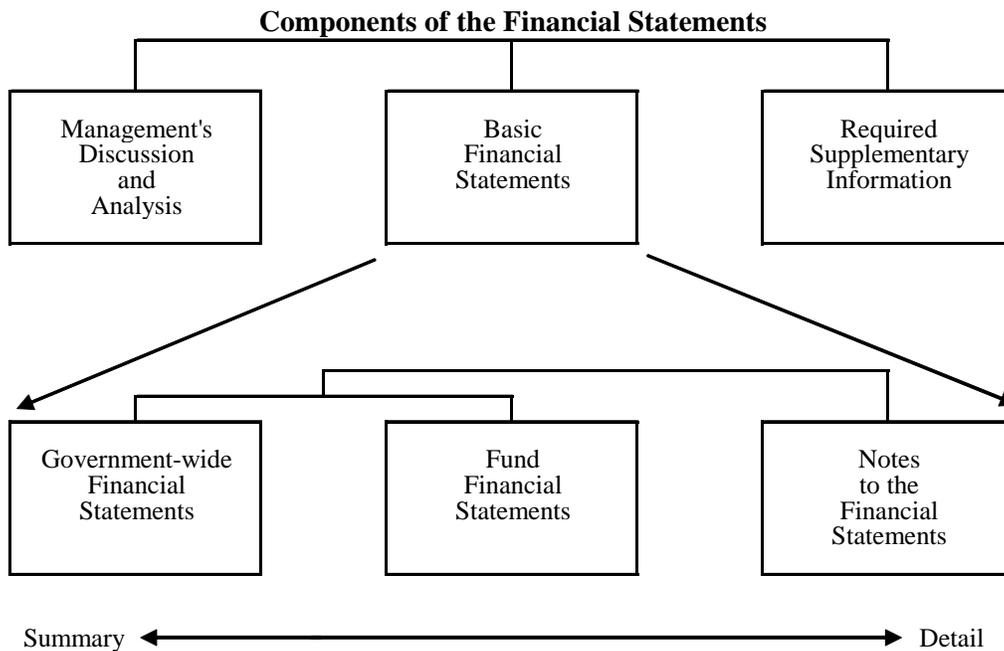
- The government-wide financial statements provide both long-term and short-term information about the Agency's overall financial status, in a manner similar to private sector business.
- Fund financial statements focus on individual parts of the Agency, reporting the Agency's operations in more detail than the government-wide financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2010

The fund statements tell how general government services such as community development were financed in the short-term as well as what remains for future spending.



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a comparison of actual results with the original and final amended budget for the major special revenue fund, which is required supplementary information.

Government-wide Financial Statements

The government-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Agency’s assets and liabilities. All current year revenues and expenses are reported in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Agency’s net assets and how they have changed during the fiscal year. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the Agency is improving or deteriorating.

The government-wide financial statements consist of governmental activities in the area of community development and pass-through agreements.

REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the Agency's largest funds, not the Agency as a whole.

The Agency has one type of fund:

- *Governmental funds* – All of the Agency's basic services are included in governmental funds, which focus on (1) short-term inflows and outflows of spendable resources, and (2) the remaining year-end balances available for spending. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations that explain the relationship (or differences) between governmental funds and governmental activities follow each of the governmental funds statements.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements provide long-term and short-term information about the Agency's overall financial condition. This analysis addresses the financial statements of the Agency as a whole.

Redevelopment Agency of the City of San Jacinto
Government-wide Financial Statements - Summary of Net Assets
As of June 30, 2010 and 2009
(in thousands)

	2010	2009	Percent Change
Cash and investments	\$ 8,466	\$ 10,857	(22.0)%
Land held for resale	874	1,024	(14.6)%
Other assets	3,769	5,668	(33.5)%
Total current and other assets	<u>13,109</u>	<u>17,549</u>	(25.3)%
Long-term liabilities	8,655	9,090	(4.8)%
Other liabilities	2,168	4,089	(47.0)%
Total liabilities	<u>10,823</u>	<u>13,179</u>	(17.9)%
Net Assets:			
Restricted	8,392	10,897	(23.0)%
Unrestricted	(6,106)	(6,527)	(6.5)%
Total net assets	<u>\$ 2,286</u>	<u>\$ 4,370</u>	(47.7)%

Net assets represent the difference between the Agency's resources and its obligations. Restricted net assets represent amounts that must be used in accordance with external restriction. The unrestricted balance of net assets is in deficit position at June 30, 2010 and 2009.

REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

**Redevelopment Agency of the City of San Jacinto
Government-wide Financial Statements - Changes in Net Assets**
As of June 30, 2010 and 2009
(in thousands)

	<u>2010</u>	<u>2009</u>	<u>Percent Change</u>
Revenues			
General Revenues:			
Redevelopment tax increment	\$ 5,311	\$ 6,568	(19.1)%
Investment earnings	92	242	(62.0)%
Other	11	43	(74.4)%
Total revenues	<u>5,414</u>	<u>6,853</u>	(21.0)%
Expenses			
Governmental activities:			
Community development	3,710	1,611	130.3%
Pass-through agreements	1,835	2,313	(20.7)%
Interest on long-term debt	462	422	9.5%
Total expenses	<u>6,007</u>	<u>4,346</u>	38.2%
Increase(decrease)in net assets, before transfers	(593)	2,507	(123.7)%
Transfers, net	<u>(1,491)</u>	<u>(1,953)</u>	(23.7)%
Increase(decrease) in net assets	<u>\$ (2,084)</u>	<u>\$ 554</u>	(476.2)%

Revenues

The Agency's total revenues from governmental activities were \$5,413,500 for the year. Redevelopment tax increment comprised 98.1 percent of the total revenue of the Agency.

Expenses

The activities of the Agency include community development and pass-through agreements on the government-wide financial statements. Overall expenses of the Agency for the year totaled \$6,006,562. Expenses specific to actual community development activity totaled \$3,709,673 or 61.8 percent of total expenses of the Agency. Payments on pass-through agreements totaled \$1,835,440 or 30.5 percent of total expenses, interest on long-term debt totaled \$461,449 or 7.7 percent of total expenses. Community Development expenses increased 130 percent due to SERAF payments totaling \$1,889,895

Transfers

Transfers In and Out are shown here combined. Transfers to the City of San Jacinto for the year totaled

REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

\$1,990,820, which were actual program expenditures (such as housing rehab) recorded in the City's CIP fund.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The Agency uses fund accounting to assure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the Agency's government, reporting the Agency's operations in more detail than the government-wide financial statements.

The Agency's governmental funds provide information on near-term inflows, outflows and balances of spendable resources. The Agency's governmental funds reported combined fund balances at June 30, 2010 of \$8,392,461.

Redevelopment Agency of the City of San Jacinto Fund Financial Statements - Fund Balances

As of June 30, 2010 and 2009
(in thousands)

	2010	2009	Percent Change
Reserved for:			
Land held for resale	\$ 874	\$ 1,024	(14.6)%
Long-term advances to city	1,021	2,927	(65.1)%
Prepays	-	2	(100.0)%
Total reserved fund balances	<u>1,895</u>	<u>3,953</u>	(52.1)%
Unreserved, reported in:			
Special revenue funds	1,810	1,062	70.4%
Debt service funds	4,521	5,584	(19.0)%
Capital projects funds	166	298	(44.3)%
Total Unreserved	<u>6,497</u>	<u>6,944</u>	(6.4)%
Total fund balances	<u>\$ 8,392</u>	<u>\$ 10,897</u>	(23.0)%

Major Special Revenue Fund Budgetary Highlights

Over the course of the year, the Agency revised the Agency budget with adjustments which fall into the following two categories:

- Changes made in the midyear report to adjust revenues, augment current year expenditure appropriations, adjust expenditure appropriations for prior year department carryover, and establish or increase designations of fund balance.
- Other revenue adjustments and expenditure appropriations approved after the original budget is adopted, and before or after the midyear report is approved.

REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

Capital project appropriations originally budgeted in fiscal year 2009 were re-appropriated in 2010 as part of the Agency's capital budget.

After taking into account these adjustments, actual expenditures for the San Jacinto Special Revenue Fund were \$24,775 more than final budget amounts. This was primarily due to the unrealized loss on land held for resale. Additionally, resources available for appropriation were \$40,052 below the final budgeted amount and were due to lower than anticipated redevelopment tax increment revenue.

Long-term Debt

At June 30, 2010, the Agency had \$8,655,328 in long-term debt outstanding. More detailed information about the Agency's total long-term liabilities is presented in Note 5 to the financial statements.

Redevelopment Agency of the City of San Jacinto
Long-term Debt Outstanding
As of June 30, 2010 and 2009
(in thousands)

	2010	2009	Percent Change
Tax allocation bonds	\$ 8,655	\$ 9,090	(4.8)%
Deferred charges	(24)	(25)	(4.0)%
Loan from EMWD	24	25	(4.0)%
Total	<u>\$ 8,655</u>	<u>\$ 9,090</u>	(4.8)%

The Agency's 2005 Tax Allocation Bonds are insured and are rated A- by Standard & Poors.

ECONOMIC FACTORS

Like most regions, after years of rapid growth, the Agency's project areas are showing the effects of the economic downturn. Property tax increment revenues are expected to remain relatively flat or decrease. The State of California budget crisis has resulted in a continuation of the Educational Revenue Augmentation Fund (ERAF) payment, with a \$1,885,635 payment from the Agency in May 2010, and another \$388,219 payment due in May 2011. The total \$1.7 billion identified in the State's FY 2009-10 budget (and another \$350 million for FY 2010-11) is the subject of a lawsuit against the State brought by the California Redevelopment Association.

REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances, and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Redevelopment Agency of the City of San Jacinto, Department of Finance, Accounting Division, PO Box 488, San Jacinto, California 92581, or visit the Agency's web page at www.ci.san-jacinto.ca.us.

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

STATEMENT OF NET ASSETS

JUNE 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 7,304,567
Cash and investments with fiscal agent	1,161,548
Receivables:	
Interest	36,302
Loans	2,300,000
Due from other governments	33,078
Deferred charges	378,381
Advances to the City of San Jacinto	1,021,321
Land held for resale	874,200
	<hr/>
Total Assets	13,109,397
LIABILITIES	
Accounts payable	27,130
Accrued wages	26,741
Accrued interest payable	165,664
Due to other governments	1,948,382
Noncurrent liabilities:	
Due within one year	211,270
Due in more than one year	8,444,058
	<hr/>
Total Liabilities	10,823,245
NET ASSETS	
Restricted for:	
Community development	2,677,157
Capital projects	1,194,207
Debt service	4,521,097
Unrestricted	(6,106,309)
	<hr/>
Total Net Assets	\$ 2,286,152
	<hr/> <hr/>

See accompanying notes to financial statements.

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

	<u>Governmental Activities</u>
PROGRAM EXPENSES	
Governmental activities:	
Community development	\$ 3,709,673
Pass-through agreements	1,835,440
Interest on long-term debt	461,449
Total Program Expenses	<u>6,006,562</u>
GENERAL REVENUES	
Taxes:	
Incremental property taxes	5,310,218
Investment earnings	92,282
Other revenue	11,000
Transfers from the City of San Jacinto	500,000
Transfers to the City of San Jacinto	<u>(1,990,820)</u>
Total General Revenues	<u>3,922,680</u>
Change in Net Assets	(2,083,882)
Net Assets, Beginning of Year	<u>4,370,034</u>
Net Assets, End of Year	<u><u>\$ 2,286,152</u></u>

See accompanying notes to financial statements.

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2010

	San Jacinto Special Revenue	Soboba Debt Service	San Jacinto Debt Service
ASSETS			
Cash and investments		\$ 1,014,067	\$ 5,431,044
Cash and investments with fiscal agent	\$ 1,035,378		2
Receivables, net:			
Interest	36,302		
Loans	2,300,000		
Due from other governments	7,661	177	25,188
Advances receivable	701,162		
Land held for resale	166,000		
Total Assets	<u>\$ 4,246,503</u>	<u>\$ 1,014,244</u>	<u>\$ 5,456,234</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,670		\$ 1,000
Accrued wages	1,791		
Due to other governments		\$ 39,224	1,237,157
Deferred revenue	2,336,302		
Advances payable		672,000	
Total Liabilities	<u>2,341,763</u>	<u>711,224</u>	<u>1,238,157</u>
Fund Balances:			
Reserved for:			
Land held for resale	166,000		
Advances receivable	701,162		
Unreserved for:			
Special revenue funds	1,037,578		
Debt service funds		303,020	4,218,077
Capital projects funds			
Total Fund Balances	<u>1,904,740</u>	<u>303,020</u>	<u>4,218,077</u>
Total Liabilities and Fund Balances	<u>\$ 4,246,503</u>	<u>\$ 1,014,244</u>	<u>\$ 5,456,234</u>

See accompanying notes to financial statements.

San Jacinto Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
\$ 126,168	\$ 859,456	\$ 7,304,567
		1,161,548
		36,302
		2,300,000
	52	33,078
320,159		1,021,321
708,200		874,200
<u>\$ 1,154,527</u>	<u>\$ 859,508</u>	<u>\$ 12,731,016</u>
\$ 22,461		\$ 27,131
24,950		26,741
		1,276,381
		2,336,302
		672,000
<u>47,411</u>		<u>4,338,555</u>
708,200		874,200
320,159		1,021,321
	\$ 772,417	1,809,995
		4,521,097
78,757	87,091	165,848
<u>1,107,116</u>	<u>859,508</u>	<u>8,392,461</u>
<u>\$ 1,154,527</u>	<u>\$ 859,508</u>	<u>\$ 12,731,016</u>

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2010

Fund Balances of Governmental Funds	\$	8,392,461
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Long-term notes or interest receivable are not current available resources and, therefore, are deferred in the governmental funds.		2,336,302
Bond issuance costs are recognized in the governmental funds during the year in which the bonds are issued. These costs are deferred and amortized over the life of the bonds in the government-wide statements.		378,381
Long term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds payable		(8,655,000)
Other long-term debt		(24,131)
Deferred loss on refunding		23,803
Accrued interest payable		(165,664)
Net Assets of Governmental Activities	\$	<u><u>2,286,152</u></u>

See accompanying notes to financial statements.

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

YEAR ENDED JUNE 30, 2010

	San Jacinto Special Revenue	Soboba Debt Service	San Jacinto Debt Service
REVENUES			
Tax increment	\$ 975,399	\$ 346,579	\$ 3,901,595
Use of money and property	39,539	9,442	47,623
Other			
Total Revenues	<u>1,014,938</u>	<u>356,021</u>	<u>3,949,218</u>
EXPENDITURES			
Current:			
Community development	371,045	65,834	388,736
Pass-through agreement payments		43,441	1,791,999
ERAF payment		358,612	1,531,283
Debt Service:			
Principal	141,573	230,200	64,697
Interest	260,846	79,168	116,863
Total Expenditures	<u>773,464</u>	<u>777,255</u>	<u>3,893,578</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	241,474	(421,234)	55,640
OTHER FINANCING SOURCES (USES)			
Transfers to the City of San Jacinto Capital Projects Fund	(646,600)		
Transfers from the City of San Jacinto CDBG Fund			
Transfer in			
Transfers out			(700,000)
Total Other Financing Sources (Uses)	<u>(646,600)</u>		<u>(700,000)</u>
Net Change in Fund Balances	(405,126)	(421,234)	(644,360)
Fund Balances at Beginning of Year	<u>2,309,866</u>	<u>724,254</u>	<u>4,862,437</u>
Fund Balances at End of Year	<u>\$ 1,904,740</u>	<u>\$ 303,020</u>	<u>\$ 4,218,077</u>

See accompanying notes to financial statements.

San Jacinto Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
	\$ 86,645	\$ 5,310,218
\$ 186	6,760	103,550
11,000		11,000
11,186	93,405	5,424,768
993,035	1,128	1,819,778
		1,835,440
		1,889,895
		436,470
		456,877
993,035	1,128	6,438,460
(981,849)	92,277	(1,013,692)
(1,344,220)		(1,990,820)
500,000		500,000
700,000		700,000
		(700,000)
(144,220)		(1,490,820)
(1,126,069)	92,277	(2,504,512)
2,233,185	767,231	10,896,973
\$ 1,107,116	\$ 859,508	\$ 8,392,461

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2010

Net change in fund balances of governmental funds \$ (2,504,512)

Amounts are reported for governmental activities in the statement of activities
are different because:

Increases in long-term interest receivable use current financial resources and are included in the expenditures of governmental funds. Repayments of long-term interest receivable provide current financial resources and are included in the revenues of governmental funds. These changes in interest receivable are not reflected in the revenues or expenses of the Statement of Activities. This amount represents the net change in the long-term interest receivable. (11,268)

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current resources financial resources of governmental funds. Neither transaction, however, has an effect on net assets.

Principal payments on debt 436,470

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest expense 9,795
Amortization of bond issuance costs (12,604)
Amortization of deferred charge on refunding (1,763)

Change in net assets of governmental activities \$ (2,083,882)

See accompanying notes to financial statements.

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity

The San Jacinto Redevelopment Agency (the Agency) is a component unit of the City of San Jacinto. Determination of a component unit is determined by such criteria as financial interdependency, selection of governing authority and designation of management, budget control and ability to significantly influence operations.

These financial statements contain only information relative to the Redevelopment Agency of the City of San Jacinto, one component unit which is an integral part of the total reporting entity. They do not contain financial data relating to the other reporting units.

The Agency was established on May 4, 1982 by the City Council of the City of San Jacinto (the City). The general objective of the Redevelopment Plan adopted by the Agency is to encourage investment in the Redevelopment Project Area by the private sector. The Redevelopment Plan provides for the demolition of buildings and improvements, the relocation of any displaced occupants, and the construction of streets, parking facilities, utilities and other public improvements. The Redevelopment Plan also includes the ability to redevelop land by private enterprise or public agencies, the rehabilitation of structures, the rehabilitation or construction of single family and low and moderate income housing, and participation by owners and tenants of properties in the Redevelopment Project.

Redevelopment Project Area

The Agency has established two redevelopment project areas. The Soboba Springs Project area was adopted on December 14, 1983. The intent of this redevelopment program is to facilitate the construction of the Main Street Bridge over the San Jacinto River thus removing a major constraint to circulation in the area and providing an improvement which cannot be provided without public participation.

The San Jacinto Redevelopment Project area was adopted on January 18, 1983. The project was amended in 1993. The objective of this project is for the redevelopment, development, re-planning, and redesign of blighted areas within the City which are stagnant, improperly utilized, and unproductive because of defective or inadequate street layout, faulty lot layout in relation to size, shape, accessibility, or usefulness, or for other causes.

Government-wide and fund financial statements

The government-wide financial statements include a statement of net assets and the statement of changes in net assets which report information on all of the nonfiduciary activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by tax increment and investment earnings.

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Government-wide and fund financial statements, (Continued)

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues, if any, include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Tax increment and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The San Jacinto Special Revenue Fund is used to account for the proceeds of specific revenue sources and low and moderate income housing activity that are restricted by law or administrative action to expenditures for low and moderate income housing activity.

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

The Soboba and San Jacinto Debt Service Funds are used to account for the accumulation of resources for and the payment of, interest and principal on long-term debt.

The San Jacinto Capital Projects Fund is used to account for the financial resources segregated for the acquisition of major capital facilities.

Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Fair value of investments

GASB No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the Agency reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized, as revenue in the operating statement.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Land held for resale

The Agency has acquired several parcels of land as part of its primary purpose to develop or redevelop blighted properties. The Agency records these parcels as land held for resale in its financial records. The property is being carried at the lower of cost or market. At June 30, 2010, the land held for resale balance is offset by a reservation of fund balances.

Loans receivable

The loans receivable are loans made to a developer for a low and moderate income housing project. These loans are offset by deferred revenue in the fund statements which indicates that they do not constitute available spendable resources.

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Use of estimates in the preparation of financial statements

The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on estimates and assumptions by Management. Actual results could differ from those amounts.

Property tax calendar

In 1978, a state constitutional amendment (Proposition 13) provided that the property tax rate be generally limited to 1 percent of market value, levied only by the county and shared with all other jurisdictions. The County of Riverside collects property taxes for the Agency. Tax liens attach annually as of 12:01 A.M. on the first day in March proceeding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1st to June 30th. All secured personal property taxes and one-half of the taxes on real property are due November 1st; the second installment is due February 1st. All taxes are delinquent, if unpaid, on December 10th and April 10th respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent, if unpaid, on August 31st. For governmental funds, Agency property tax revenues are recognized when levied to the extent that they result in current receivables collectible within 60 days. In the government-wide statements, revenues are recognized in the year taxes are levied.

Tax increment revenue

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within project areas. The taxable valuation of project areas prior to adoption of the redevelopment plans, or base rolls, is established and, except for any period during which the taxable valuation drops below the base roll level, the taxing agencies thereafter receive only the taxes produced by the levy of the then current tax rate upon the base roll. Tax revenues collected upon and increase in taxable valuation over the base roll (“tax increment”) are allocated to the Agency and may be pledged by the Agency for the repayment of any indebtedness incurred in financing or refinancing redevelopment projects. The Agency has no authority to levy property taxes and must look specifically to the allocation of taxes produced as described.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

General budget policies

The Board approves each year's budget submitted by the Director prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Board. Supplemental appropriations, where required during the period, are also approved by the Board. In most cases, expenditures may not exceed appropriations at the department level. At fiscal year-end all operating budget appropriations lapse. Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget for the San Jacinto Special Revenue Fund has been presented in these financial statements; however, not for the San Jacinto Capital Projects Fund.

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Policy regarding use of restricted vs. unrestricted resources

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first and then unrestricted resources, as they are needed.

New GASB pronouncements

The following lists recent GASB pronouncements implemented in FY 2009-2010:

GASB Statement No. 51 – In June 2008, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This statement is effective July 1, 2009. The Agency implemented this statement effective July 1, 2009, which had no material impact.

The following summarizes recent GASB pronouncements and their impact, if any, on future financial statements:

GASB Statement No. 54 – In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is not effective until June 30, 2011. The Agency has not determined its effect on the financial statements.

GASB Statement No. 57 – On December 2009, The GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent-Employer Plan*. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). This statement is not effective until June 30, 2012. The Agency has not determined its effect on the financial statements.

GASB Statement No. 59 – On June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The objective of this statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement is not effective until June 30, 2011. The Agency has not determined its effect on the financial statements.

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE #2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of Net Assets	
Cash and investments	\$ 7,304,567
Cash and investments with fiscal agent	1,161,548
	<hr/>
Total Cash and Investments	\$ 8,466,115
	<hr/> <hr/>

Cash and investments as of June 30, 2010 consist of the following:

Pooled cash with the City of San Jacinto	\$ 7,304,567
Investments held by bond trustee	1,161,548
	<hr/>
Total Cash and Investments	\$ 8,466,115
	<hr/> <hr/>

The Agency follows the practice of pooling cash and investments with the City for all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Detailed information concerning the City’s pooled cash and investments can be found in the City’s Annual Financial Report for the year ended June 30, 2010.

Interest income earned on pooled cash and investments is allocated monthly by the City to the various funds based on the month-end cash balances. Interest income from cash and investment with fiscal agent is credited directly to the related fund.

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE #2 – CASH AND INVESTMENTS, (Continued)

Investments authorized by the California Government Code and the Agency's Investment Policy

Currently, the Agency follows the City of San Jacinto's investment policy. The table below identifies the investment types that are authorized by the investment policy. The table also identifies certain provisions of the investment policy that address interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Securities	5 years	None	None
U.S. Agency Securities	5 years	None	None
Commercial Paper	270 days	15%	None
Negotiable Certificates of Deposit	5 year	10%	None
Repurchase Agreements	1 year	10%	None
Medium-Term Notes	5 years	20%	None
Money Market Funds	N/A	20%	None
Mutual Funds	N/A	18%	None
Time Deposits	N/A	25%	None
Local Agency Investment Fund	N/A	90%	None
California Asset Management Program	N/A	50%	None

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE #2 – CASH AND INVESTMENTS, (Continued)

Investments authorized by Debt Agreements

Provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy, govern investment of debt proceeds held by bond trustee. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Commercial Paper	270 days	None	None
Money Market Funds	N/A	None	None
Investment Agreements	N/A	None	None
Certificates of Deposit, Savings Accounts	None	None	None
Municipal Obligations	None	None	None
Repurchase Agreements	None	None	None
Local Agency Investment Fund (LAIF)	None	None	None

Disclosures relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity:

INVESTMENT TYPE	Remaining Maturity 12 Months Or Less
Held by bond Trustee	
Money Market Funds	\$ 1,161,548
Total	\$ 1,161,548

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE #2 – CASH AND INVESTMENTS, (Continued)

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Agency's investment policy or debt agreements, and the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating as of June 30, 2010</u>
Held by bond Trustee			
Money Market Funds	\$ 1,161,548	AAA	AAA
Total	<u>\$ 1,161,548</u>		

Concentration of credit risk

The investment policy of the Agency contains no limitations on the amount that can be invested in anyone issuer beyond that stipulated by the California Government Code. The Agency does not have any investments in anyone issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of total Agency investments.

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE #3 – LOANS RECEIVABLE

	Balance Outstanding at June 30, 2010
<u>Loans Receivable</u>	
In 2006-2007 and in 2007-2008 the Agency made a loan to a developer for a low and moderate housing project. Amounts provided to the developer were for \$1,238,225 and \$1,061,775 in fiscal years 2007 and in 2008, respectively. There are no annual set or structured payments. The promissory note will accrue interest at the rate of one percent per year simple interest and shall be repaid from the cash flow of the project and shall be due and payable by the expiration or termination of the affordability covenants which is 55 years from the completion of the project. The project was completed on October 2, 2008.	
	\$ 2,300,000
Accrued interest on note receivable	36,302
Total	<u>\$ 2,336,302</u>

NOTE #4 – NOTES RECEIVABLE

The Redevelopment Agency operates various loan and grant programs to assist residents who meet certain qualifications for the purpose of providing home rehabilitation and home ownership assistance to low-moderate income households. The loans are secured by a deed of trust and no monthly payments required. At the end of the term of 45 years, the loans are forgiven unless the following occurs during the grant term: 1) property is sold or transferred or 2) property is no longer owner-occupied, at which time full repayment would be required. The purpose of the grants is to provide low-moderate income households with home ownership assistance with no intent of recovering the grant, and thus the grants are not recognized as long-term receivables in the Statement of Net Assets. The balance of those loans at June 30, 2010 was \$1,158,957.

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE #5 – LONG-TERM DEBT

A. Bonds Payable

A description of individual issues of bonds outstanding during the fiscal year ending June 30, 2010 is as follows:

San Jacinto Redevelopment Agency Tax Allocation Bonds, Series 1999

On July 15, 1999, the San Jacinto Redevelopment Agency issued \$965,000 of Tax Allocation Bonds to provide monies to finance various projects within the Soboba Project Area. The term bonds accrue interest at 6.10 percent and mature on September 1, 2018. Principal and interest on the bonds are payable solely from certain tax revenues allocated to the Agency. The outstanding principal balance at June 30, 2010 was \$0 as the Agency made final payment in the fiscal year 2009-2010.

San Jacinto Redevelopment Agency Tax Allocation Bonds, Series 2005

In May of 2005, the Agency issued the \$9,430,000 San Jacinto Redevelopment Project Area Tax Allocation Bonds, Series 2005. The Bonds were issued to refund the \$3,350,000 outstanding Tax Allocation Bonds Series 1993 and to finance certain redevelopment activities of the Agency. The Bonds consist of \$2,925,000 of serial bonds and \$6,505,000 of term bonds. The serial bonds accrue interest at rates between 3.00 percent and 4.00 percent and the principal amounts mature between August 1, 2006 and August 1, 2018 in amounts ranging from \$185,000 to \$275,000. Term bonds of \$1,915,000 accrue interest at 4.50 percent and mature on August 1, 2024, and term bonds of \$4,590,000 accrue interest at 4.60 percent and mature on August 1, 2034. The principal and interest on the bonds are payable solely from certain pledged tax increment revenues allocated to the Agency. The outstanding principal balance at June 30, 2010 was \$8,655,000.

The Agency has pledged a portion of future tax increment revenues to repay the 1999 \$965,000 and the 2005 \$9.4M Tax Allocation Bonds. Tax increment revenues were projected to produce 100 percent and 100 percent, respectively, of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds are \$8,655,000 and \$5,729,441. For the current year, principal and interest paid was \$309,368 for the 1999 Tax Allocation Bonds and \$582,709 for the 2005 Tax Allocation Bonds, and total increment tax revenues received by the Agency totaled \$5,310,218.

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE #5 – LONG-TERM DEBT, (Continued)

B. Loans From City and Others

Eastern Municipal Water District (EMWD) - San Jacinto Project

Pursuant to a pass-through agreement dated September 20, 1983, the Agency is required to pay Eastern Municipal Water District (over the course of forty years) 80 percent of the tax increment received by the San Jacinto Project from June 28, 1983 through fiscal year ended 1988 attributable to that area within the territorial limits of the District. Terms of the agreement call for forty equal annual installments of \$1,270 beginning in the fiscal year ended June 30, 1989. The total amount outstanding under the agreement at June 30, 2010 was \$24,131. In addition, \$286,838 was recorded as current pass-through payable to EMWD in the San Jacinto Project Debt Service Fund as due to other governments on the statement of net assets.

C. The following is a schedule of changes in long-term debt of the Agency for the fiscal year ended June 30, 2010:

	Balances at June 30, 2009	Additions	Retirements	Balances at June 30, 2010	Amount Due Within One Year	Amount Due in More than One Year
San Jacinto Project Area:						
Tax Allocation Bonds, Issue of 2005	\$ 8,860,000		\$ (205,000)	\$ 8,655,000	\$ 210,000	\$ 8,445,000
Less deferred loss on Refunding	(25,566)		1,763	(23,803)		(23,803)
Total	8,834,434		(203,237)	8,631,197	210,000	8,421,197
Loan from EMWD	25,401		(1,270)	24,131	1,270	22,861
Total San Jacinto Project Area	8,859,835		(204,507)	8,655,328	211,270	8,444,058
Soboba Project Area:						
Tax allocation bonds, Issue of 1999	230,200		(230,200)			
Total Soboba Project Area	230,200		(230,200)			
Total Long-term Debt	\$ 9,090,035	\$ -	\$ (434,707)	\$ 8,655,328	\$ 211,270	\$ 8,444,058

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE #5 – LONG-TERM DEBT, (Continued)

D. The following schedule illustrates the debt service requirements to maturity for bonds and pass-through payables outstanding as of June 30, 2010:

Fiscal Year Ending June 30,	Governmental Activities	
	2005 Tax Allocation	
	Bonds	
	Principal	Interest
2011	\$ 210,000	\$ 371,483
2012	215,000	364,975
2013	220,000	357,765
2014	230,000	349,890
2015	235,000	341,635
2016-2020	1,325,000	1,563,568
2021-2025	1,630,000	1,245,375
2026-2030	2,035,000	830,185
2031-2035	2,555,000	304,565
Total	<u>\$ 8,655,000</u>	<u>\$ 5,729,441</u>

Ending June 30,	EMWD Loan	
	Principal	Interest
2011	\$ 1,270	
2012	1,270	
2013	1,270	
2014	1,270	
2015	1,270	
2016-2020	6,350	
2021-2025	6,350	
2026-2029	5,081	
	<u>\$ 24,131</u>	<u>\$ -</u>

NOTE #6 – PASS-THROUGH PAYABLES

The Agency is subject to and a party to several agreements. At June 30, 2010, the Agency’s total pass-through liabilities, per various agreements, totaled \$1,276,381, and is recorded as due to other governments.

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE #7 – TRANSFERS IN AND OUT

- A. The San Jacinto Debt Service Fund transferred \$700,000 to the San Jacinto Capital Projects for various budgeted projects.
- B. In Addition, the following transfers were made between the City of San Jacinto and the Agency.

	Transfers-Out			Totals
	RDA	RDA	City of	
	San Jacinto	San Jacinto	San Jacinto	
Transfers-In	Special Revenue	Capital Projects	CDBG Fund	
To the City of San Jacinto	\$ 646,600	\$ 1,344,220		\$ 1,990,820
San Jacinto Capital Projects Fund (RDA)			\$ 500,000	500,000
Total	<u>\$ 646,600</u>	<u>\$ 1,344,220</u>	<u>\$ 500,000</u>	<u>\$ 2,490,820</u>

- Transfers between the Redevelopment funds to the City of San Jacinto Capital Projects fund represent funds moved for various budgeted projects.

NOTE #8 – ADVANCES RECEIVABLE/PAYABLE – WITH THE CITY OF SAN JACINTO

Advances Receivable:

- A. The City of San Jacinto Capital Projects Fund owes the Agency’s San Jacinto Special Revenue Fund \$701,162 for various budgeted capital projects.
- B. The City of San Jacinto CFD 87-1 Debt Service Fund owes the Agency’s San Jacinto Capital Projects Fund \$144,128. During FY 1994-1995 this amount was used to cover the debt service requirements for Assessment District 87-1; Assessment District 87-1 has been in default since this time. For additional details see the City of San Jacinto Basic Financial Statements for the year ended June 30, 2010 Note #6 (B).
- C. The City of San Jacinto Capital Projects Fund owes the Agency’s San Jacinto Capital Projects Fund \$176,031 for various budgeted capital projects.

Advances Payable:

The Agency’s Soboba Debt Service Fund owes the City of San Jacinto General Fund \$672,000 for a long term advance, including interest for Agency operations. The advance does not have specified repayment terms.

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE #9 – COMMITMENTS

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county “Supplemental” Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State’s Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency made a payment of \$1,889,895 during fiscal year 2009-2010. The Agency’s share of this revenue shift is approximately \$388,219 in fiscal year in 2010-2011. Payments are to be made by May 10 of each respective fiscal year and are being accounted for by the Agency in general government of the Redevelopment Capital Projects Fund.

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SAN JACINTO SPECIAL REVENUE**

FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Tax increment	\$ 1,032,940	\$ 1,032,940	\$ 975,399	\$ (57,541)
Use of money and property	22,050	22,050	39,539	17,489
Total Revenues	<u>1,054,990</u>	<u>1,054,990</u>	<u>1,014,938</u>	<u>(40,052)</u>
EXPENDITURES				
Current:				
Community development	346,270	346,270	371,045	(24,775)
Debt service:				
Principal	141,573	141,573	141,573	
Interest	260,846	260,846	260,846	
Total Expenditures	<u>748,689</u>	<u>748,689</u>	<u>773,464</u>	<u>(24,775)</u>
Excess of Revenues Over (Under) Expenditures	306,301	306,301	241,474	(64,827)
OTHER FINANCING SOURCES (USES)				
Transfer to the City of San Jacinto Capital Projects Fund	<u>(1,612,131)</u>	<u>(1,627,861)</u>	<u>(646,600)</u>	<u>981,261</u>
Net Changes in Fund Balances	(1,305,830)	(1,321,560)	(405,126)	916,434
Fund Balances at Beginning of Year	<u>2,309,866</u>	<u>2,309,866</u>	<u>2,309,866</u>	
Fund Balances at End of Year	<u>\$ 1,004,036</u>	<u>\$ 988,306</u>	<u>\$ 1,904,740</u>	<u>\$ 916,434</u>

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

**SUPPLEMENTARY SCHEDULE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2010

	Soboba Capital Projects	Soboba Special Revenue	Total Non-major Funds
ASSETS			
Cash and investments	\$ 87,091	\$ 772,365	\$ 859,456
Due from other governments		52	52
Total Assets	<u>\$ 87,091</u>	<u>\$ 772,417</u>	<u>\$ 859,508</u>
LIABILITIES AND FUND BALANCES			
Fund Balances:			
Unreserved for:			
Special revenue funds		\$ 772,417	\$ 772,417
Capital projects funds	\$ 87,091		87,091
Total Fund Balances	<u>87,091</u>	<u>772,417</u>	<u>859,508</u>
Total Liabilities and Fund Balances	<u>\$ 87,091</u>	<u>\$ 772,417</u>	<u>\$ 859,508</u>

REDEVELOPMENT AGENCY OF CITY OF SAN JACINTO

**SUPPLEMENTARY SCHEDULE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE**

FOR THE YEAR ENDED JUNE 30, 2010

	Soboba Capital Projects	Soboba Special Revenue	Total Governmental Funds
REVENUES			
Tax increment		\$ 86,645	\$ 86,645
Use of money and property	\$ 725	6,035	6,760
Total Revenues	<u>725</u>	<u>92,680</u>	<u>93,405</u>
EXPENDITURES			
Current:			
Community development		1,128	1,128
Total Expenditures		<u>1,128</u>	<u>1,128</u>
Net Change in Fund Balances	725	91,552	92,277
Fund Balances at Beginning of Year	<u>86,366</u>	<u>680,865</u>	<u>767,231</u>
Fund Balances at End of Year	<u>\$ 87,091</u>	<u>\$ 772,417</u>	<u>\$ 859,508</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
AND AUDIT GUIDELINES FOR CALIFORNIA REDEVELOPMENT AGENCIES**

Commission Member
San Jacinto Redevelopment Agency
San Jacinto, California

We have audited the financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of the San Jacinto Redevelopment Agency (the Agency), a component unit of the City of San Jacinto, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses to be significant deficiencies. Finding 2010-3 and Finding 2010-4. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *schedule of findings and responses* as items 2010-1 through 2010-2.

The Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Agency's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Agency's Board, management, and the California State Controller and is not intended to be and should not be used by anyone other than these specified parties.

Vawter, Tami, Day, Co., LLP

Rancho Cucamonga, California
December 21, 2010

REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2010

The following findings represent instances of noncompliance related to the Agency’s financial statements.

Finding 2010-1

REDEVELOPMENT COMPLIANCE OVERSIGHT/FIVE-YEAR IMPLEMENTATION PLAN

Criteria or Specific Requirement

In accordance with Health & Safety Code 33090, the Agency must adopt their five-year implementation plan in conjunction with the implementation plan cycle.

Condition Found

The Agency did not adopt their 2009-2010 thru 2013-2014 five-year implementation plan until the fiscal year 2010-2011.

Context

The condition was noted during the audit of the Agency’s compliance with audit guidelines.

Cause

The Agency lacked policies and procedures to ensure the timely adoption of the five-year implementation plan.

Effect

The Agency did not adopt their five-year implementation as required by the Health & Safety Code.

Recommendation

We recommend that the Agency adopt their five-year implementation timely.

View of Responsible Officials and Planned Corrective Action

The five-year implementation plan was delayed to avoid conflicts with the preparation of the RDA’s merger and amendment of the two project areas. In addition, the RDA manager was one of the necessary layoffs the City performed at the end of fiscal year 2008/09. As a result, the five-year implementation plan was not completed during fiscal year 2009/10. The plan was recently adopted by the Board.

REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2010

Finding 2010-2

REDEVELOPMENT COMPLIANCE OVERSIGHT – ANNUAL REPORT

Criteria or Specific Requirement

In accordance with Health & Safety Code 33418, the Agency shall monitor housing available to low and moderate income families by requiring owners or managers of such housing to submit an annual report.

Condition Found

The Agency did not require owners or managers of property made available to low and moderate income families to submit an annual report.

Context

The condition was noted during the audit of the Agency’s compliance with audit guidelines.

Cause

The Agency lacked policies and procedures to ensure compliance with the guidelines of Health & Safety Code 33418.

Effect

The Agency did not receive annual reports as required by the Health & Safety Code.

Recommendation

We recommend that the Agency implement policies and procedures to ensure the annual receipt of reports.

View of Responsible Officials and Planned Corrective Action

The operating agreements approved by legal counsel and the Board had an annual reporting requirement beginning five years after recordation. Management plans to amend the appropriate agreements to require continuous annual reports.

REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2010

Finding 2010-3

LAND HELD FOR RESALE

Criteria or Specific Requirement

The Agency should ensure that their Land Held for Resale is valued in accordance at the lower of cost or net realizable value.

Condition Found

As part of the year-end closing process, the Agency did not perform an analysis of Land Held for Resale to ensure that asset is valued at the lower of cost or net realizable value. Once discovered, the Agency obtained an analysis and posted adjustments to write down the applicable properties to the estimated net realizable value at June 30, 2010.

In addition, as part of this process, the Agency discovered a parcel that had been transferred to it from the City, but the Agency was unable to locate supporting documentation for this parcel.

Context

The condition noted above was identified during our final fieldwork of the land held for resale.

Cause

The Agency's year-end closing procedures did not include the analysis of land held for resale comparing the carrying value to the estimated net realizable value at year-end. In addition, the documentation for the property transferred from the City could not be located.

Effect

As a result of the above, the Agency had not adjusted the land held for resale to the estimated net realizable value as of June 30, 2010 as part of the year-end closing process. Once notified, the Agency did obtain an estimated valuation and posted the appropriate entries.

Recommendation

The Agency should update the year-end closing process to ensure that an analysis of the appropriate valuation of Land Held for Resale is performed on an annual basis. Also, the Agency should obtain the documentation for the land transferred from the City.

View of Responsible Officials and Planned Corrective Action

Management agrees with this finding, although it has not been mentioned in previous audits. Management will include this process in its year-end procedures. As for the transferred property, some documents have been found regarding the transfer in 2002. However, documents related to the original purchase (estimated around 1982) may prove to be harder to find.

REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2010

Finding 2010-4

INTEREST PAYABLE

Criteria or Specific Requirement

The Agency should ensure that interest payable on loans to the Agency, from the City's General Fund, are properly recognized in the financial statements.

Condition Found

The Agency did not book interest payable on a long-term loan from the City's General Fund, resulting in an adjustment to the financial statements.

Context

The condition noted above was identified during our final fieldwork.

Cause

The Agency lacked procedures to ensure that interest payable on the long-term loan had been accrued.

Effect

As a result of the above, the Agency did not record the interest payable.

Recommendation

The Agency should implement procedures to ensure that interest payable is properly recognized in the financial statements.

View of Responsible Officials and Planned Corrective Action

This loan was not intended to be long-term, as it was only to be outstanding until the merger of the two RDA project areas was completed. However, management agrees with this finding, and will include this process in its year-end procedures.

REDEVELOPMENT AGENCY OF THE CITY OF SAN JACINTO

SUMMARY SCHEDULE OF PRIOR YEAR AUDT FINDINGS

JUNE 30, 2010

Finding

Status

2009-1 Redevelopment Compliance Oversight/Untimely Reporting

The Agency expects to file the FY 09-10 report within the required timeline

2009-2 Year End Closing

Implemented